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**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY
ACTION OF KERR-MCGEE OIL & GAS ONSHORE
LP FOR AN ORDER EXTENDING THE BOARD'S
ORDERS IN CAUSE NOS. 241-1, 241-2, 241-4 AND
241-5 ESTABLISHING 160 ACRE DRILLING AND
SPACING UNITS FOR THE PRODUCTION OF GAS
(INCLUDING COALBED METHANE) FROM THE
FERRON FORMATION IN PORTIONS OF SECTION
25, TOWNSHIP 14 SOUTH, RANGE 10 EAST, AND
SECTION 30, TOWNSHIP 14 SOUTH, RANGE 11
EAST, SLM, CARBON COUNTY, UTAH

**REQUEST FOR AGENCY
ACTION**

Docket No. 2010-011

Cause No. 241-08

COMES NOW, Kerr-McGee Oil & Gas Onshore LP ("KMG"), acting by and through its attorneys, Beatty & Wozniak, P.C., and pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6, and hereby respectfully requests the Board of Oil, Gas and Mining (the "Board") to enter an order extending its previous Orders entered in Cause Nos. 241-1, 241-2, 241-4 and 241-5 establishing 160-acre drilling and spacing units for the production of gas, including but not limited to coalbed methane, from the Ferron Formation underlying the following Carbon County, Utah lands:

Township 14 South, Range 10 East, SLM

Section 25: NE $\frac{1}{4}$

Township 14 South, Range 11 East, SLM

Section 30: Lots 1 (40.68) and 2 (40.42),
E $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$

(hereinafter the "Subject Lands"). The Subject Lands comprise, in part, the area more commonly referred to by KMG as the "Cardinal Draw" area.

In support of this Request, KMG respectfully states and represents:

1. KMG is a Delaware limited partnership in good standing and authorized to conduct business in the State of Utah. It is duly bonded with all appropriate State of Utah and Federal agencies relevant to this cause.

2. The oil and gas within the Cardinal Draw area are owned by the United States and subject to Federal oil and gas leases. KMG is a lessee and owner of operating rights under said oil and gas leases.

3. The Subject Lands are not currently subject to any spacing order of the Board.

4. KMG has drilled and operates numerous wells in the Cardinal Draw area which produce coalbed methane from the Ferron Formation.

5. By its Orders in Cause Nos. 241-1, 241-2, 241-4 and 241-5 (the "Prior Orders"), the Board has consistently established 160-acre drilling and spacing units for gas (including coalbed methane) production from the Ferron Formation in Township 14 South, Ranges 10 and 11 East.

6. The Ferron formation, consistent with the Prior Orders, is defined for purposes of this Request as:

the stratigraphic equivalent of the interval between 1,968 feet below the surface to 2,214 feet below the surface as shown in

the density log for the Birch A-1 well located in the SW¼ of Section 5, Township 14 South, Range 10 East, SLM.

7. KMG believes and therefore states that the Ferron formation, including all coal and surrounding sands, generally constitutes one pool for gas in the Subject Lands and correlates with said formation as underlying adjacent lands which are the subject of the Prior Orders, and that one well will efficiently and economically drain approximately 160 acres in that pool. KMG is prepared to present documentary evidence and testimony in support of these conclusions.

8. Consequently, KMG requests that this Board establish 160 acre drilling and spacing units for the Subject Lands, for the production of gas, including but not limited to coalbed methane, from the Ferron formation including all coals and surrounding sands.

9. KMG requests that each such unit be comprised of a governmental quarter section, or lots substantially equivalent thereto, and that the permitted well for each such unit be drilled no closer than 460 feet from the outer boundary of said unit and no closer than 920 feet from any other well drilling to or capable of producing gas from the Ferron formation as so defined, except as may otherwise be permitted by administrative action for topographic, cultural, archaeological, environmental or geologic reasons or other good cause shown in accordance with Utah Admin. Code Rule R643-3-3.

10. KMG believes and therefore states that the requested order will allow for the orderly development of the Subject Lands, is consistent with other drilling and spacing units established by the Board for gas production from the Ferron formation, will

prevent waste, will adequately protect the correlative rights of all affected parties and is just and reasonable.

11. KMG will separately file a certificate of mailing which lists all persons known to KMG, based on a search of Federal and County realty records, whose legally protected interests in the Subject Lands will be affected by this Request. There are no respondents or adverse parties known at this time to KMG.

WHEREFORE, KMG respectfully requests that this Request be set for hearing on March 24, 2010, that due notice be given as required by law, and that, following said hearing, the Board enter an order:

A) Providing for the establishment of 160 acre drilling and spacing units for the production of gas, including but not limited to coalbed methane, from the Ferron formation, defined for purposes of this Request as the stratigraphic equivalent of the interval between 1,968 feet below the surface to 2,214 feet below the surface as shown in the density log for the Birch A-1 well located in the SW¼ of Section 5, Township 14 South, Range 10 East, SLM, including all coals and surrounding sands, for the following described Carbon County lands:

Township 14 South, Range 10 East, SLM

Section 25: NE¼

Township 14 South, Range 11 East, SLM

Section 30: Lots 1 (40.68) and 2 (40.42),
E½NW¼, E½

B) Providing that each unit shall be comprised of the governmental quarter section, or lots substantially equivalent thereto, and that the permitted well for each such unit be drilled no closer than 460 feet from the outer boundary of said unit and no closer than 920 feet from any other well drilling to or capable of producing gas from the Ferron formation as so defined, except as may otherwise be permitted by administrative action for topographic, cultural, archaeological, environmental or geologic reasons or other good cause shown pursuant to Utah Admin Code Rule R649-3-3;

C) Making such findings and orders in connection with this Request as it deems necessary; and

D) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 10th day of February, 2010.

BEATTY & WOZNIAK, P.C.

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